

## Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-07 NSCE-00 SAI-01 EA-13

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R 261022Z APR 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8268

INFO AMCONSUL HONG KONG

AMCONSUL LENINGRAD BY POUCH

USLO PEKING

AMEMBASSY TOKYO

S E C R E T MOSCOW 6222

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, ETRD, UR, JA

SUBJECT: KOSYGIN ON SIBERIAN DEVELOPMENT

FOLLOWING MESSAGE WAS APPROVED BY AMBASSADOR BEFORE  
HIS DEPARTURE.

1. SUMMARY. DURING MY APRIL 25 CALL ON KOSYGIN, HE  
GAVE UPBEAT PRESENTATION ON SIBERIAN DEVELOPMENT AND  
OTHER DOMESTIC ECONOMIC DEVELOPMENT PROJECTS. HE  
SPOKE POSITIVELY OF RECENT AGREEMENTS WITH JAPAN  
FOR SIBERIAN PROJECTS, BUT NOTED THAT JAPAN WAS  
UNHAPPY BECAUSE "U.S. DOESN'T WANT TO PARTICIPATE."  
I INFORMED HIM THAT PROBLEM OF U.S. PARTICIPATION  
WAS LARGELY A QUESTION OF FINANCING, AND THAT THE  
ADMINISTRATION HAD TAKEN FAVORABLE POSITION ON U.S.  
PARTICIPATION WITH JAPANESE. HE SAID U.S. INVOLVEMENT  
WAS UP TO TOKYO, BUT REPEATED HIS VIEW THAT USG WAS  
BLOCKING PARTICIPATION OF U.S. FIRMS. KOSYGIN SAID  
DESIGN WORK FOR BAIKAL-AMUR RAILROAD WAS COMPLETE AND

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SOME PRELIMINARY CONSTRUCTION HAD ALREADY BEGUN. END

SUMMARY.

2. IN RESPONSE TO MY QUESTION ABOUT SIBERIAN DEVELOPMENT KOSYGIN IMMEDIATELY MENTIONED JAPANESE COMPLAINTS THAT U.S. "DOESN'T WANT TO PARTICIPATE." HE DECLARED SOVIETS WOULD GO AHEAD WITH THESE PROJECTS IN ANY EVENT, AND NOTED THAT USSR HAD ALWAYS LEFT IT UP TO TOKYO WHETHER TO BRING IN U.S. FIRMS. TURNING TO A RELIEF MAP ON THE WALL, HE DESCRIBED THE BAIKALAMUR RAIL PROJECT, WHICH WOULD RUN 3,200 KILOMETERS TO THE SEA OF OKHOTSK FROM UST-KUT. HE SAID DESIGN WORK HAS BEEN COMPLETED, AND SOME PRELIMINARY CONSTRUCTION WORK BEGAN IN 1973. THE ROUTE WOULD CROSS THREE MOUNTAIN RIDGES AND WOULD REQUIRE SOME TUNNELS.

3. I TOLD KOSYGIN THE ADMINISTRATION FAVORS PARTICIPATION OF U.S. FIRMS IN SIBERIAN PROJECTS WITH JAPAN, BUT THERE IS A FINANCING PROBLEM. EX-IM BANK CREDITS ARE UNDER CONSIDERATION BUT THE ATTITUDE OF CONGRESS MUST BE CONSIDERED FOR SUCH MAJOR PROJECTS. KOSYGIN SAID THE USSR HAD LEFT IT TO JAPAN TO DECIDE WHETHER TO INVOLVE THE U.S., BUT HE HAD THE IMPRESSION THAT "STATE DEPARTMENT" WAS BLOCKING U.S. ROLE. I SAID I BELIEVED IT POSSIBLE THAT THE U.S. WOULD PARTICIPATE IN THE FUTURE.

5. KOSYGIN EMPHASIZED THE ECONOMIC DEVELOPMENT ADVANTAGES OF THE RAIL PROJECT, NOTING UNTAPPED IRON ORE, COPPER AND COAL RESERVES IN ADDITION TO GAS AND OIL. HE INDICATED THAT HE HAD TOLD PRIMIN TANAKA THAT THE SOVIETS WOULD BUILD THE RAILROAD IN ANY EVENT, REGARDLESS OF WHETHER JAPAN DECIDED TO PARTICIPATE. HE DISPLAYED SOME ANNOYANCE OVER PRESS FUSS IN JAPAN ABOUT RAIL LINE AND SAID HE HAD ASKED TANAKA WHETHER SOVIET COMMENT ON A JAPANESE DOMESTIC RAILROAD -- SAY FROM NAGASAKI TO TOKYO -- WOULD BE CONSIDERED APPROPRIATE. WITHOUT ACTUALLY MENTIONING CHINA, KOSYGIN SAID RAILROAD HAD NO MILITARY PURPOSES AND WAS NOT DIRECTED AGAINST INTERESTS OF ANY COUNTRY.

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6. I MENTIONED THAT I HAD READ OF THE PLAN TO INVOLVE THE KOMSOMOL IN CONSTRUCTION OF THE RAIL LINE. KOSYGIN SAID THE SOVIETS WANTED TO KEEP LABOR RESOURCES ASSIGNED TO THE PROJECT TO A MINIMUM, SINCE LABOR COSTS IN THIS PART OF SIBERIA WERE THREE TIMES HIGHER THAN IN MOSCOW. FOR THIS REASON, MECHANIZATION WOULD BE EMPHASIZED IN CONSTRUCTION.

7. KOSYGIN MENTIONED WITH OBVIOUS SATISFACTION THE AGREEMENT SIGNED RECENTLY WITH JAPAN CONCERNING CREDITS FOR COAL, TIMBER AND YAKUTIA GAS PROJECTS. HE SAID HE EXPECTED SAKHALIN OFFSHORE OIL AND GAS CREDIT AGREEMENT TO BE SIGNED IN NXT FEW DAYS. AS FOR TYUMEN OIL, THIS REMAINED AN OPEN QUESTION AND USSR WAS WILLING TO WAIT. HE SAID OIL WOULD DEFINITELY BE TRANSPORTED BY RAIL, AND CLAIMED THAT PIPELINE WOULD COST AS MUCH AS RAILROAD WITHOUT COMPARABLE ECONOMIC BENEFIT. HE THOUGHT THERE WOULD BE EVEN A THIRD TRANS-SIBERIAN RAILROAD SOME DAY, STILL FURTHER NORTH.

8. TURNING TO HYDROELECTRIC RESOURCES OF SIBERIA, KOSYGIN SAID THE UST-ILIMSK DAM WOULD START TO PRODUCE POWER THIS YEAR AND WOULD COME FLLY ONSTREAM WITHIN 18 MONTHS. EACH NEW POWER PROJECT IN SIBERIA WAS IMMEDIATELY FACED WITH SPURT IN DEMAND FOR ELECTRICITY SURPASSING NEW CAPACITY. IN THIS CONNECTION, KOSYGIN REFERRED TO BRATSK ALUMINUM PLANT AND PROJECTED CELLULOSE PLANT, LATTER BEING BUILT BY CEMA COUNTRIES TO PRODUCE HALF MILLION TONS OF CELLULOSE ANNUALLY.

9. KOSYGIN REFERRED EARLIER IN THE CONVERSATION TO TOGLIATTI AUTO FACTORY ON VOLGA, WHICH HE SAID IS BIGGER AND MORE MODERN THAN ANY SINGLE FACTORY IN THE WEST, PRODUCING MORE THAN 650,000 CARS A YEAR. HE SAID USSR COULD BUILD MORE SUCH FACTORIES, BUT THERE IS NO NEED TO DO SO. TRUCKS ARE MORE IMPORTANT. I MENTIONED MY VISIT TO THE KAMA RIVER TRUCK PLANT, AND KOSYGIN SAID THIS PROJECT IS WELL ON ITS WAY. IT WOULD PRODUCE ITS FIRST TRUCK WITHIN TWO YEARS. HE

KNEW THAT U.S. MACHINE TOOLS, PRESSES AND OTHER  
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EQUIPMENT ARE BEING INSTALLED. HE RECALLED "FOOLISH-NESS" IN THE WESTERN PRESS ABOUT ALLEGED SOVIET INABILITY TO GET THE TOGLIATTI PLANT INTO PRODUCTION AS PLANNED, BUT THIS HAD BEEN REFUTED, SINCE THE PLANT HAS MET ITS TARGET.

10. KOSYGIN SAID THE USSR IS NOW PRODUCING ABOUT THE SAME NUMBER OF PROGRAMMED MACHINE TOOLS AS THE U.S. HE SAID HE WAS SORRY HE HAD NOT VISITED THE U.S. MACHINE TOOL EXHIBIT WHICH CLOSED LAST WEEK, SINCE HE HAD HEARD IT WAS EXCELLENT. I SAID WE ARE LOOKING FORWARD TO THE SOVIET MACHINETOOL SHOW IN CHICAGO IN THE FALL.  
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## Message Attributes

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